

Message Text

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70

ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PA-04 USIA-15 PRS-01 DRC-01 /178 W

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R 091305Z JUL 74

FM AMCONSUL LOURENCO MARQUES

TO SECSTATE WASHDC 2716

INFO AMEMBASSY LISBON

AMCONSUL LUANDA

AMEMBASSY MBABANE

AMEMBASSY BLANTYRE

AMEMBASSY DAR ES SALAAM

AMEMBASSY PRETORIA

AMEMBASSY LUSAKA

LIMITED OFFICIAL USE LOURENCO MARQUES 0553

E.O. 11652: N/A

TAGS: ELAB, EFIN, MZ

SUBJECT: MOZAMBIQUE'S ECONOMIC SITUATION CONTINUES TO
DETERIORATE

1. GOVERNMENT AND BUSINESS CIRCLES ARE INCREASINGLY CONCERNED OVER CONTINUED DETERIORATION OF ECONOMIC SITUATION IN MOZAMBIQUE. DESPITE REPEATED PROMISES, MOZAMBIQUE STILL HAS NOT RECEIVED \$140 MILLION LOAN FROM METROPOLITAN PORTUGAL. WITHOUT RESERVES, ISSUANCE OF IMPORT LICENCES HAVE BEEN SUSPENDED AND FOREIGN EXCHANGE CONTROLS TIGHTENED. COMMERCE IS BEING STRANGLERED BY LACK OF CREDIT, RISING COSTS, AND INABILITY TO OBTAIN GOODS TO SELL. BOTH PRIVATE AND GOVERNMENT CIVIL CONSTRUCTION IS AT VIRTUAL STANDSTILL.

2. IN MEETING WITH CONSULAR CORPS JULY 5, GOVERNOR-GENERAL
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CONFIDED THAT GOVERNMENT IS FACING SUCH SERIOUS FINANCIAL

PROBLEMS CURRENTLY THAT IT IS DIFFICULT FOR IT TO CONCENTRATE ON ANYTHING ELSE. WORK ON MANY GOVERNMENT PROJECTS HAS STOPPED FOR LACK OF FUNDS. GOVERNOR-GENERAL, SOMEWHAT UNCONVINCINGLY, EXPRESSED CONFIDENCE THAT HIS FINANCIAL EXPERTS WOULD BE ABLE TO FIND SOLUTION TO GOVERNMENT'S FINANCES SOON.

3. IN MEANTIME, THERE ARE INCREASING REPORTS OF UNEMPLOYMENT, PARTICULARLY IN AREA OF CIVIL CONSTRUCTION: (A) ON JULY 3, ESTIMATED 1,500 UNEMPLOYED WORKERS DEMONSTRATED IN FRONT OF GOVERNOR-GENERAL'S PALACE, DEMANDING THAT GOVERNMENT FIND WORK FOR THEM. GOVERNMENT SPOKESMAN PROMISED TO DO WHAT HE COULD TO HELP THEM BUT SAID PROBLEM WAS COMPLEX. HE ALSO CITED RECENT LARGE WAGE INCREASES AS ONE OF MAIN CAUSES OF UNEMPLOYMENT; (B) NOTICIAS OF JULY 9 REPORTS WIDESPREAD HUNGER AND UNEMPLOYMENT IN TETE DISTRICT.

4. COMMENT: SOME SOURCES HAVE EXPRESSED FEAR THAT, UNLESS MOZAMBIQUE RECEIVES EXTERNAL FINANCIAL ASSISTANCE SOON, MANY FIRMS WILL BE FORCED INTO BANKRUPTCY, SWELLING RANKS OF UNEMPLOYED. THESE UNEMPLOYED WORKERS, OUT OF DESPERATION, MAY BE LED TO PLUNDER AND OTHER TYPES OF VIOLENT ACTIVITY IN MOZAMBIQUE'S URBAN CENTERS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LOUREN00553
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740182-1000
From: LOURENCO MARQUES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740765/aaaacdwwk.tel
Line Count: 85
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAY 2002 by ifshinsr>; APPROVED <25 FEB 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MOZAMBIQUE'S ECONOMIC SITUATION CONTINUES TO DETERIORATE
TAGS: ELAB, EFIN, MZ
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005